

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT
SECURITIES LLC,

Defendant.

In re:
BERNARD L. MADOFF,

Debtor.

Adv. Pro. No. 08-01789 (SMB)

SIPA LIQUIDATION

(Substantively Consolidated)

**SECOND SUPPLEMENTAL EXPERT REPORT OF
MATTHEW B. GREENBLATT, CPA/CFF, CFE
SENIOR MANAGING DIRECTOR
FTI CONSULTING, INC**

**SECOND SUPPLEMENTAL ANALYSIS OF THE
PROFIT WITHDRAWAL TRANSACTIONS**

June 3, 2016

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I. PROFESSIONAL BACKGROUND

1. I, Matthew B. Greenblatt, am employed in the Forensic and Litigation Consulting practice of FTI Consulting, Inc. (“FTI”) as a Senior Managing Director. I have more than 20 years of experience in accounting, auditing and litigation consulting services, including forensic accounting and fraud investigations.

2. I am a Certified Public Accountant (CPA), Certified in Financial Forensics (CFF), and a Certified Fraud Examiner (CFE). I am a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants and the Association of Certified Fraud Examiners. I have spoken on multiple panels and authored articles in the area of forensic accounting and investigations, and currently serve as an adjunct professor with New York University in its forensic accounting certificate program.

3. Additional information regarding my professional experience and recent testimony is included in my Curriculum Vitae annexed hereto as **Exhibit 1**.

II. SCOPE OF ASSIGNMENT

4. To address the specific issues raised in the PW Transaction Motion,¹ FTI was tasked with describing, in greater detail, the subset of the cash withdrawal transactions known as PW Transactions.² The PW Transactions are a component of the Principal Balance Calculation.

5. My expert report, titled Methodology for the Principal Balance Calculation, dated November 15, 2012 (the “Principal Balance Calculation Report”), explains the methodology of the Principal Balance Calculation and describes the relevant documents and data maintained by BLMIS.

6. My expert report, titled Analysis of the Profit Withdrawal Transactions, dated July 14, 2015 (the “PW Report”), details the population of PW Transactions and the analysis of certain PW Transactions.

7. Subsequent to the issuance of the Principal Balance Calculation Report and the PW Report, I issued my expert report titled Supplemental Analysis of the Profit Withdrawal Transactions, dated December 17, 2015 (the “Supplemental PW Report”), which identified and

¹ See Memorandum of Law in Support of Trustee’s Motion Affirming Treatment of Profit Withdrawal Transactions dated July 14, 2015 (ECF No. 10661).

² See my expert report, titled Analysis of the Profit Withdrawal Transactions, dated July 14, 2015, ¶6.

summarized the PW Transactions in the Participating Accounts³ and to determine the impact of the PW Transactions on these Participating Accounts if a court were to rule that the PW Transactions should not be treated as cash withdrawals (*e.g.*, reductions to principal) for purposes of the Principal Balance Calculation.

8. Following the issuance of the PW Report and the Supplemental PW Report, I have been instructed by Trustee's counsel to further summarize the documents that were used in connection with the analysis of the PW Transactions to further support my conclusions stated in the PW Report, Supplemental PW Report and repeated herein in **Section III.B.** below.

9. Accordingly, this report should be read in conjunction with the Principal Balance Calculation Report, the PW Report, and the Supplemental PW Report.⁴ This report has been prepared in connection with the analysis of the Profit Withdrawal Transactions and is to be used in the above-captioned proceeding only. It is not to be used for any other purpose without the express written consent of FTI.

10. As a CPA, a forensic accountant and a CFE, I have the training, experience and expertise required to work with and supervise members of the FTI team of professionals to accomplish the reconstruction of the books and records of BLMIS. I have prepared this report with the assistance of other FTI professionals working under my direct supervision.

11. If called upon to testify in this matter, I intend to provide testimony regarding my analyses and conclusions consistent with this report. FTI is being compensated at a rate of \$554 per hour for my professional time incurred in performing the work necessary to prepare this report. FTI's fees are not contingent on the conclusions reached in this report or the outcome of any proceeding.

12. The documents and data that I considered in connection with this report are listed in **Exhibit 2**.⁵ I reserve the right to supplement my report based on any additional documents or information received.

³ See the Supplemental PW Report, ¶5.

⁴ The opinions that I rendered in the Principal Balance Calculation Report, the PW Report and the Supplemental PW Report, the documents that I considered in connection with these reports, and the accompanying exhibits to these reports, are all incorporated by reference. All capitalized terms not defined herein shall have the meaning ascribed to them in the Principal Balance Calculation Report, the PW Report, and the Supplemental PW Report.

⁵ See also **Exhibit 3** of the PW Report and **Exhibit 2** of the Supplemental PW Report.

III. SUMMARY OF FINDINGS

A. The Principal Balance Calculation

13. The Principal Balance Calculation Report identifies the (a) methodology that I employed and/or supervised in connection with the analyses performed, and (b) sources of information and data that form the basis of my findings, conclusions, and opinions.

14. My findings, conclusions, and opinions remain unchanged since the issuance of the Principal Balance Calculation Report. *See* Principal Balance Calculation Report, ¶¶10-56 for a full description of the summary of findings and methodology for the Principal Balance Calculation.

B. PW Transactions

15. The PW Report identifies the (a) population of the PW Transactions; (b) recording of the PW Transactions on the BLMIS Customer Statements; and (c) sources of information and data that support the basis of my findings, conclusions, and opinions.

16. For the 56 Participating Accounts, the Supplemental PW Report identifies the (a) population of the PW Transactions; (b) detailed analysis of the PW Transactions related to the Participating Accounts; and (c) sources of information and data that support the basis of my findings, conclusions, and opinions.

17. My conclusions and opinions related to the treatment of the PW Transactions remain unchanged since the issuance of the PW Report and the Supplemental PW Report. As described more fully in the PW Report and the Supplemental PW Report, based upon FTI's analysis of the BLMIS records, it is my opinion that the BLMIS records demonstrate that: (a) the PW Transactions result in a reduction to the BLMIS account holders' purported equity; and (b) the account holders received payments from BLMIS in the amount of the PW Transactions. On the basis of these opinions, it is my further opinion that all PW Transactions constitute cash withdrawals in the Principal Balance Calculation, as detailed in the Principal Balance Calculation Report, and a reduction in an account's purported equity, as detailed in the PW Report and the Supplemental PW Report. *See* the Supplemental PW Report ¶¶10-79 for a full description of the summary of findings, the description of PW Transactions, the documents and the data maintained by BLMIS relevant to PW Transactions, detailed analysis of the PW

Transactions related to the Participating Accounts and the impact analysis of the PW

Transactions related to the Participating Accounts; *see also* the PW Report, ¶¶11-76 and the Principal Balance Calculation Report, ¶¶10-56.

18. The treatment of PW Transactions as reductions in principal for purposes of the Principal Balance Calculation is further supported by available third-party bank records. As described more fully in the Collura Report, the work performed by Ms. Collura and the FTI professionals working under her supervision demonstrated that the PW Transactions represent payments made directly to the relevant BLMIS account holders, and as evidenced by the copies of cancelled checks, which were made out to, received by and deposited by the individual BLMIS account holders. (*See* the Expert Report of Lisa M. Collura, dated July 14, 2015 (the “Collura Report”).)

IV. THE DOCUMENTS AND DATA MAINTAINED BY BLMIS RELEVANT TO PW TRANSACTIONS

19. The information sources and data that I, and those at FTI working under my direct supervision, have reviewed include voluminous BLMIS books and records. As further described in my Principal Balance Calculation Report and the PW Report, in addition to the Customer Statements, other relevant documents existed within BLMIS’s books and records that were used to reconcile and, when necessary, to perform the Principal Balance Calculation for each BLMIS customer account, where Customer Statements were not available. *See* Principal Balance Calculation Report, ¶¶37-54 for a full description of the relevant documents/data maintained by BLMIS, as well as the level of priority placed on such information for purposes of preparing the chronological listings of all cash and principal transactions for every BLMIS customer account.

20. With regard to the analysis of the PW Transactions, the PW Report and Supplemental PW Report detail the BLMIS documents that demonstrate that PW Transactions, like all other cash withdrawals, represent a reduction to an account’s purported equity, as follows:

- (a) Customer Statements;
- (b) Portfolio Management Reports (“PMRs”); and
- (c) Portfolio Management Transaction Reports (“PMT Reports”). (*See* the Principal Balance Calculation Report, ¶¶ 40-49 and the PW Report, ¶¶ 30-34 and **Exhibits 10-12.**)

21. In addition to PMRs and PMTs, FTI has identified certain handwritten stenographic (spiral-bound) notebooks in BLMIS's records.⁶

22. A review of these spiral notebooks⁷ revealed that the information found within this documentation contained records of cash deposits and withdrawals for a given time frame. Collectively, the spiral notebooks contain approximately 3,220 pages of handwritten notes related to various cash transactions. There were approximately 670 pages within several of the individual spiral notebooks for cash deposits (labeled as "Check In" notebooks), which included transactions that were reflected on the Customer Statements with a transaction code of "CA". Additionally, there were approximately 2,550 pages within several of the individual spiral notebooks for cash withdrawals (labeled as "Check Out" notebooks), which included transactions that were reflected on the Customer Statements with a transaction code of "CW" or "PW".⁸ (See **Exhibit 3** for an Example of a Check-In Spiral Notebook; **Exhibit 4** for an Example of a Check-Out Spiral Notebook; and **Exhibit 5** for Examples of PW Transactions as Recorded in the Spiral Notebook Pertaining to Calendar Year 1991.)

23. While all PW Transactions were not always recorded in the spiral notebooks contained within the available records, in every instance where a page of the spiral notebook has legible handwritten notes with complete transaction information (*e.g.*, account number, account name, transaction type, date and/or amount)⁹, the handwritten notes corroborate the information reflected on the Customer Statements, regardless of the transaction code. (See **Exhibit 6** for a List of PW Transactions that are Recorded in the Spiral Notebooks and Corroborates the Information on the Customer Statements.)

⁶ See the Principal Balance Calculation Report, ¶¶44-51; *see also* the PW Report, ¶¶25-31.

⁷ See **HWN00000001- HWN00003217** for available spiral notebooks or related excerpts.

⁸ See the Principal Balance Calculation Report, ¶¶50-51.

⁹ Excluding those instances where there is an indication of a transaction being cancelled or voided.

24. The information within the spiral notebooks not only corroborates the recording of the PW Transactions reflected on the Customer Statements, but by being labeled as “Check In”/“Check Out” and referring to Profit Withdrawals as “Profit cks”, also supports the conclusion that the information in the spiral notebooks and on the Customer Statements represent transactions consisting of checks issued by BLMIS. (See **Exhibit 7** for an Example of PW Transactions referred to as “Profit Cks” in the Spiral Notebooks.)

25. Furthermore, the House 17 Manual identifies these spiral notebooks as “CHECK IN BOOK” and “CHECK OUT BOOK” as shown in the excerpts below (see **MADTSS00336545-MADTSS00336546** and **MADTSS01019221**):¹⁰

CHECKS

There are 3 books you will punch checks from:

1. CHECK IN BOOK (small book 8 1/2 X 5)
2. CHECK OUT BOOK (8 1/2 X 11 book)
3. BINDER WITH PROFIT CHECKS FOR 10 ACCT

Jodi will give you checks on a daily basis. She will give you an instruction sheet which will tell you what out going checks should be punched and the check date.

CHECK CODES:

✦ A. **PW - (Profit Withdrawal)** Check that come from SETUPS in Binder are 10 account and always PW. On description type "check & stock name." Interest checks are also PW, on description type "check interest 'date'"

Pinks - Div and Interest are always PW. Must have description. Separate by customer then add total for each customer. For DIV Pinks - if description is exactly same - one check if not then separate checks

✦ B. **CW - (Capital Withdrawal)** are customer request that must go out. On description type "check"

C. **DT - (Debit Transfer)** are IRA distribution request. On description type "check year (eg 1994) distribution" DT monies must be added to CW totals

D. **CA - (Capital Addition)** - checks received from customer. These are always (field -) On description type "check" (or check wire if indicated)

PW - DT - CW --> punch as (field +) debits
CA --> punch as (field -) credits

¹⁰ See the PW Report, **Exhibit 9** for the House 17 Manual.

CHECK IN BOOK

Always punched as a CA --> (field -)

Checks coming in are always punched separately from check going out.

If there are checks coming in for different dates, they must be separated by date order then punch and run each date separately.

NOTE** Checks coming on a date for which C/S has already been run should not go through MEM001 & MEM002 procedure. They should be put through on C/S sheets. Check with Jodi or Annette.

CHECKS GOING OUT

PW/CW/DT --> always punched as (field +)

You will usually have 2 sets of checks going out each day.

First set are LEVY CHECKS (1L002750 & 1L002730)

Levy checks are punched and run separately from all other checks because these checks are printed on Banker's Trust checks -BLUE CHECKS.

Second set are ALL other accounts.

These checks are printed on Manufacturer's check -YELLOW CHECKS.

Therefore, you will usually have 3 sets of checks daily.

1. CA - Checks coming in for current day
2. PW - Levy checks going out for next working day
3. CW/PW/DT - Checks for all other accounts going out for next working day

PUNCHING CHECKS

First need to get tape for totals PW + CW & CA

PW - DT - CW punch as (field +) debits

CA punch as (field -) credits

- A. PW - (Profit Withdrawal)** from binder sometimes they are in CW's book, you have to check codes. On description type "check & stock name." PW that comes from setups ends in 10
- B. CW - (Capital Withdrawal)** are customer request that must go out. On description type "check"
- C. DT - (Debit Transfer)** are IRA distribution request. On description type "check year (eg 1994) distribution" DT monies must be added to CW totals
- D. Pinks - Div and Interest** are always PW. Must have description. Separate by customer then add total for each customer. For DIV Pinks - if description is exactly same - one check if not then separate checks
- E. CA - (Capital Addition)** are memos - checks received from customer. These are always (field -) On description type "check" or check wire

26. As described in the House 17 Manual and specific excerpts above, these spiral notebooks contain transaction information related to check receipts and check disbursements. Each line item and/or group of transactions identified in these spiral notebooks corresponds with a customer account number and/or a customer name.

27. Using BLMIS Accounts 1B0023 (formerly known as 1-00215) and 1B0022 (formerly known as 1-00254) for illustrative purposes, the image below is an excerpt from the July 19, 1991 spiral notebook detailing PW Transactions generated from fictitious trading in Liberty National, including BLMIS Accounts 1B0023 and 1B0022 in the amounts of \$1,375.28 and \$360.82, respectively, which corroborates the PW Transaction reflected in the excerpt of the Customer Statement for BLMIS Accounts 1B0023 and 1B0022.

Excerpt from the July 19, 1991 Spiral Notebook

PW - Liberty National Bancorp		
103	1,500.00	St. Louis
108	491.09	J. Adams
109	1,662.79	A. Adams
125	4,146.75	Amelia
137	360.82	Amelia
214	491.94	A. Adams
215	1,375.28	A. Becker
216	2,165.60	J. Adams
217	319.06	A. Adams
218	315.39	Old. J. Adams
220	2,013.59	M. Adams
236	330.35	V. Adams
238	590.90	Amelia
242	1,017.97	Amelia
244	360.82	Amelia
253	360.82	A. Adams
254	360.82	A. Adams
257	2,165.60	C. Adams
304	1,116.57	A. Adams
306	1,319.13	A. Adams

Account #	Amount	Account Name
215	1,375.28	A. Becker
254	360.82	Amelia Becker

HANN0001655

Customer Statement for BLMIS Account 1B0023

7/31/91 ARTHUR BLECKER
& SOFIE BLECKER

1-00215-1-0

1-00215-1-0

BALANCE FORWARD

DEBIT

CREDIT

309,943.57

7/02 7/10 20000 30 LIBERTY NATL BANCORP INC NY 139 1/2 376,468.04
SUB DES CONV 8/250 8/01/2010

7/03 7/11 20000 29 LIBERTY NATL BANCORP INC NY 140 377,643.32
SUB DES CONV 8/250 8/01/2010

7/11 7/11 318000 53 THERMO ELECTRON CORP 117 PW 37,564.06
SUB DES CONV 8/250 8/01/2012

7/09 7/12 318000 53 THERMO ELECTRON CORP 117 PW 37,564.06
SUB DES CONV 8/250 8/01/2012

7/17 7/17 318000 53 THERMO ELECTRON CORP 117 PW 37,564.06
SUB DES CONV 8/250 8/01/2012

7/17 7/17 318000 53 THERMO ELECTRON CORP 117 PW 37,564.06
SUB DES CONV 8/250 8/01/2012

7/11 7/18 9426 55 THERMO ELECTRON CORP 37 1/4 351,118.50
THERMO ELECTRON CORP PRACFEEDAL SHARES

7/18 7/18 9426 55 THERMO ELECTRON CORP 37 1/4 351,118.50
THERMO ELECTRON CORP PRACFEEDAL SHARES

7/22 7/22 9426 55 THERMO ELECTRON CORP 37 1/4 351,118.50
THERMO ELECTRON CORP PRACFEEDAL SHARES

7/22 7/22 9426 55 THERMO ELECTRON CORP 37 1/4 351,118.50
THERMO ELECTRON CORP PRACFEEDAL SHARES

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THERMO ELECTRON CORP PRACFEEDAL SHARES

7/22 7/22 9426 55 THERMO ELECTRON CORP 37 1/4 351,118.50
THERMO ELECTRON CORP PRACFEEDAL SHARES

7/22 7/22

CHECK LIBERTY NATL

PW

1,375.28

SECURITY POSITIONS

LONG

SHORT

DIFFERENCE

THERMO ELECTRON CORP 318000 377,189.94
SUB DES CONV 8/250 8/01/2012

THERMO ELECTRON CORP 10426 358,902.05
THERMO ELECTRON CORP 10426 358,902.05

THERMO ELECTRON CORP 10426 358,902.05
THERMO ELECTRON CORP 10426 358,902.05

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THERMO ELECTRON CORP 10426 358,902.05

THERMO ELECTRON CORP 10426 358,902.05
THERMO ELECTRON CORP 10426 358,902.05

Customer Statement for BLMIS Account 1B0022

7/31/91 AARON BLECKER

1-00254-1-0

1

7/31/91 AARON BLECKER

1-00254-1-0

MF0040403

7/01 5/01 LONG SHORT

DEBIT

CREDIT

BALANCE FORWARD

103,273.53

7/02 7/10 49000

45 LIBERTY NATL BANCORP INC NY 139 1/2 98,797.18

SUB DES CONV

8/250 8/01/2010

7/03 7/11 60000

224 LIBERTY NATL BANCORP INC NY 140

99,130.00

SUB DES CONV

8/250 8/01/2010

7/11 7/11 84000

102 THERMO ELECTRON CORP 117 PW 3,230.02

SUB DES CONV

8/250 8/01/2012

99,635.08

7/17 7/17

CHECK HEALTH SOUTH PW 3,230.02

7/17 7/17

CAL CHECK 07/17/91 PW 91,513.50

7/11 7/18

2499 103 THERMO ELECTRON CORP 37 1/8 11,212.50

7/11 7/18

300 104 THERMO ELECTRON CORP 37 3/8 3.66

7/18 7/18

THERMO ELECTRON CORP PRACFEEDAL SHARES

7/22 7/22

CHECK LIBERTY NATL PW 360.82

360.82

7/22 7/22

CHECK LIBERTY NATL

PW

360.82

SECURITY POSITIONS

LONG

SHORT

DIFFERENCE

THERMO ELECTRON CORP

84000

99,635.08

SUB DES CONV

8/250 8/01/2012

THERMO ELECTRON CORP

2754

102,627.55

2,992.50K

END OF POSITIONS

99,635.08

102,627.55

408,513K

28. Based on my review of the data available, the BLMIS documents, including Customer Statements, PMRs, PMTs, spiral notebooks and cancelled checks, all support my conclusion that the PW Transactions were debited from the customer's account. These debit entries within the customer's account reduced the reported amount of equity purportedly held at BLMIS and reflect cash withdrawal transactions in which checks were issued by BLMIS and paid to the account holder.

V. BLMIS INTERNAL PROCEDURES FOR PROCESSING CHECKS (INCLUDING BLMIS ACCOUNT 1B0022)

29. The House 17 Manual states that the information from sources such as the spiral notebooks were to be "punched" into a system, which then reported the entered information on documents including Customer Statements and checks that were made out to BLMIS account holders.

30. The House 17 Manual contains detailed instructions for entering and running checks. The House 17 Manual states that for "checks going out ... Check Name should not have address information and should make sense to you [the BLMIS employee entering and running checks]." (See **Exhibit 8** for the Excerpt of the House 17 Manual Detailing Instructions on How to Process Checks at **MADTSS00336546-MADTSS00336547**).¹¹

¹¹ See also **MADTSS01239735-MADTSS01239744**.

ENTERING AND RUNNING CHECKS	
<p>Separate each set of checks by date order and do only one set at a time.</p> <p>Get a tape of TOTALS for each set of check (totals for CA, PW-Levy, PW + CW + DT-all other accounts).</p> <p>NOTE** check amount for DT code are added with check for CW code.</p> <p>Once you have your tapes for each set of check you are now ready to enter checks.</p>	
<p>Check Name is a function of NAME** 12/06</p>	<p>Key: MEM001 and enter date working with</p> <p>For checks going out-->after punching acct # you must check "check name" to see if it needs editing. Check Name should not have address information and should make sense to you.</p> <p>NOTE** All "IST-Trust-IRA" accounts should be made payable to NAME on acct only and not to IST-TRUST.</p> <p>For checks coming in --> you do not need to edit the check name.</p> <p>When you have entered all cust for date working with do CMD 7 to get totals. Check to make sure totals match your tape - if tape and screen do not match - do CMD 11 to go back and check you entries</p> <p>Once your tape and screen matches CMD7 to end entries (This gives printout of total screen) then</p> <p>Key: MEM002 and enter date worked with</p> <p>MEM002 gives check journals with entries, check forms (outgoing checks only) and memos.</p>
<p>NOTE** FOR LEVY CHECKS -- CHANGE CHECK FORM ON SPOOL FILE TO CHECKLE SO YOU WILL KNOW WHAT CHECKS TO PRINT ON BLUE CHECKS</p> <p>All paper work from checks go in cabinet in Jodi's office.</p> <p>Note** To cancel or update a check before it hit C/S key: MEM04 (this takes you to the pendcash file) Starting with record #1 scroll through the file for record to update or delete. This is a DFU screen--> CMD4 to delete --> CMD7 to end. Give audit log to Jodi.</p>	

31. These instructions from the House 17 Manual inform the person doing the data input into the system that the output from the process of “entering and running checks” should be: (i) a [debit] memo; and (ii) the issuance of a check. Specifically, as stated above, “MEMO02 gives check journals with entries, check forms (outgoing checks only) and memos.”

32. Included below is an example of a debit memo for a “Check + Company Name” PW Transaction for BLMIS Account 1-02015-1 dated April 12, 1989, reflecting BLMIS debited the account for the amount of the PW Transaction.

BERNARD L. MADOFF
Investment Securities
Established 1960
New York London

212 230-2424
800 221-2242
Telex 235130
Fax 212 486-8178

WE HAVE THIS DAY DEBITED YOUR
ACCOUNT WITH THE FOLLOWING:

4/12/89

PW CHECK MCKESSON 9,000.00

CLIENT'S ACCOUNT NUMBER
1-02015-1

ELFRIEDE TAYLOR

BERNARD L. MADOFF 10397 1-30/210

4/12/89

PAY TO THE ORDER OF ELFRIEDE TAYLOR \$ ***9000.00

EXACTLY ***9,000 DOLLARS 00 CENTS DOLLARS

MANUFACTURERS HANOVER TRUST COMPANY
40 Wall Street
New York, N.Y. 10015

FOR 1-02015-1

BERNARD L. MADOFF

NON-NEGOTIABLE
Authorized Signature

MADTBB02920900

33. Following the note about the account being debited, the top portion of the document provides the information about the transaction as it is reflected on the Customer Statement. This information on the debit memo matches the information on the “check going out,” which is reflected on the bottom portion of the excerpt above, where a check is made payable to the account holder in the amount of the PW transaction. (See **MADTBB02920900** and **Exhibit 9** for Examples of CW and PW Debit Memos and Corresponding Check Images.)

34. Included below is an excerpt from the Customer Statement for the month of April 1989 for BLMIS Account 1-02015-1, which shows that the PW Transaction for \$9,000, containing the description “CHECK MCKESSON” resulted in a reduction to the account’s purported equity during April 1989. (See **MF00044530-MF00044531**.)

4/30/89		ELFRIEDE TAYLOR		1-02015-1-0		1-02015-1-0	
4/30/89		ELFRIEDE TAYLOR					
DATE	5/01	LONG	SHORT	DEBIT		CREDIT	
				BALANCE FORWARD		219,442.78	
7/73	3/02		100	5	TEXAS EASTN CORP	32	
7/73	3/02		24	6	TEXAS EASTN CORP	32	1/8
7/77	3/06	5000		2	TEXAS EASTN CORP	121	
				SUB DEB CONV		6,285.00	
				12,000 10/15/2009			
4/03	6/03				TEXAS EASTN CORP	JRNL	11.44
4/12	6/12				FRACTIONAL SHARES AFD 03/02/89		
				CHECK MCKESSON		9,000.00	
4/12		4/12		CHECK MCKESSON		PW	
						PW	
						9,000.00	
4/19	4/19	1350			TEXAS EASTN CORP	RECD	
4/19	4/19	74			TEXAS EASTN CORP	RECD	
4/19	4/19		154000		TEXAS EASTN CORP	DELV	
				SUB DEB CONV			
				12,000 10/15/2009			
4/19	4/19	500			TEXAS EASTN CORP	RECD	
4/20	4/27	133000		193	CONCAST CORP	149	199,917.47
				SUB DEB CONV			
				5,500 8/01/2011			
4/21	4/28	2500	194		CONCAST CORP	22	1/2
				CL A		56,250.00	
4/21	4/28	6900	195		CONCAST CORP	22	3/8
				CL A		152,150.00	
4/28	4/28				CONCAST CORP	JRNL	15.44
				CL A			
				FRACTIONAL SHARES			
				NEW BALANCE		219,119.19	
				SECURITY POSITIONS		LONG	
						SHORT	
						DIFFERENCE	
CONCAST CORP		133000		199,917.47			
SUB DEB CONV							
5,500 8/01/2011							
				CONTINUED ON PAGE		2	

35. Furthermore, there are handwritten comments stating that “Check Name is a function of NAMEADDR 7/24/96”. Within the House 17 Manual, there are further instructions related to “NAME/ADDRESS REPORTS” that contain specific instructions stating to “KEY” and execute certain automated processes to print mailing labels with account names and addresses on them. Thereafter, the instructions contain a page showing “Blecker,” “Blum J,” and “Blum N”. (See **Exhibit 8** at **MADTSS00336546-MADTSS00336547** and **MADTSS00336552-MADTSS00336553**.)

NAME/ADDRESS REPORTS

MENU NAMENU

- #5 - Prints name and address with duplicates and mailing. *NA15101*
- #6 - Prints type 1 name and address with all customer information such as ID#. *NA15102*
- #7 - Prints 'Short Name' report *NA15105*
- #8 - Prints 'Group Name' report *NA15104*

OTHER NAME/ADDRESS REPORTS AND LABELS

TO RUN KEY THE FOLLOWING PROCEDURES IN BOLD LETTERS

- NALIST93 - Prints type 1 name and address only.
- NALIST96 - Prints name and address for selected Z acct.
(1ZA,1ZB,1ZC,1ZR,1ZW)
- NALIST97 - Prints name and address for selected Z acct with
send (S)
- NALABEL - Prints full name and address labels for all acct.
(Does not print acct#)
- EOYLABEL - Print name and address labels - 2 line only-filing
- MALABEL - Print mailing labels - (does not print account#)
- LA001D - Print return address labels
"Attn: Annette Bongiorno"
- NACARD - Print name/address card

~~Note: ENTRY03 - Used to update old name/address files (can not be used while regular name/address is being used)~~

Old name/address file --> numeric acct #. We changed to New
name/address --> alpha numeric acct # in May/92.

NAME/ADDRESS (GROUP NAME)

A J C	Beaser S	C & M
Albert H	Bessoudo	Cohen S
Alpern M	Blasskron	Chais S
Alpern P	Blicker	Carroll R
Alpern J	Blum J	Certlinman
Alpern Leo	Blum M	Chalek S
Alpern Lew	Bloom	Charat H
Alpern W	Brill R	Cohn S
Alpern S	Brodsky A	Copper C
Angel A	Brown E	Cruick J
A & B	Bronberg B	Casanova
Amseillem	Banque Pri	Colvin
A & B- Glantz	Birchwood	Cohen R
A & B- All	Bonventre	
Aufort	Bloom	
APB, GM	Berman	
	Besser R	
Davis M	E & M	Fine S
Delaire	Evenshick	Friedman D
Di Pascali	Engler	Friedman N
	Eldon	Felder R
	Elins	Feldman I
		Fleiman
		Flak L
		Frenchman
		FRUCHMAN W
Gerber	Horowitz J	Incus
Gross	Heiler A	
Gaumont J	Herhsosh A	
Gelman E	Hadassah	Joel M
Ghertler E	Hubbard	Jaffe A
Gordon A	Hertz	Jac/Jor
Gordon N	HALCE H	JARFE R
Gorek E		
Gladstone		
Gettinger	Kostin E	Lieb/Berg
Gurit-Hurw	Kahn-Lucky	Lipkin L
Goldwax	Kay M	Luria-Gchi
Goldstein	Kommit E	Levy N
	Kugel D	Lewit A
	Konigsberg	Lane M
	Katz-Wil	Levi S
	Kaplan	Levine N
	Kolodny	Lieberbaum
	Kantor	Langley R
	KARVO R	Levi
	KAYE H	Low

36. Based on the House 17 Manual¹² and the information contained therein, PW Transactions, like all other cash withdrawals, were printed on checks made payable to the BLMIS account holder for mailing to the address as reported in the top left hand corner of the Customer Statements.

¹² See the PW Report ¶¶26-39.

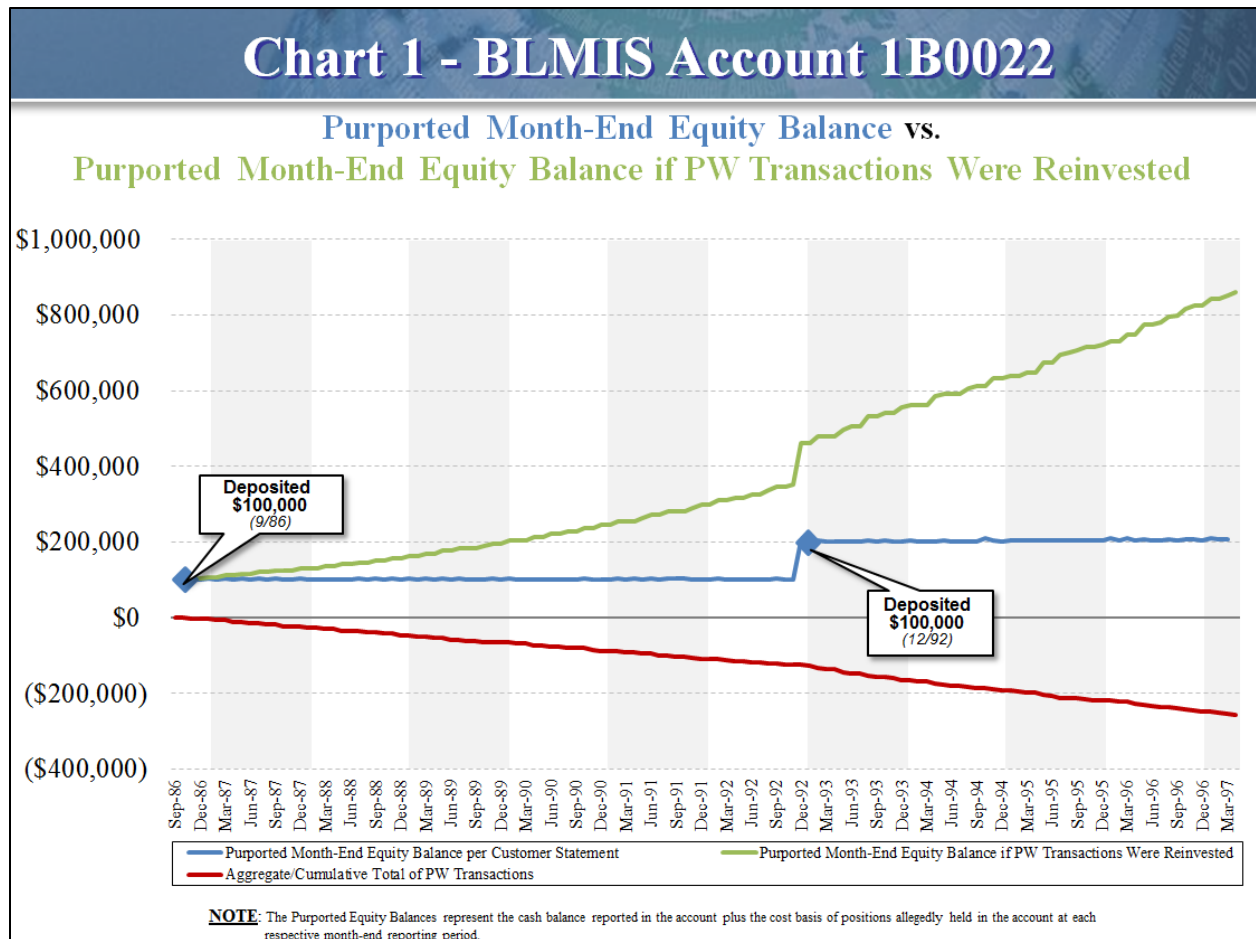
VI. ANALYSIS OF PURPORTED EQUITY FOR PARTICIPATING BLMIS ACCOUNT 1B0022

37. To further support the conclusion that the PW Transactions result in a reduction to the BLMIS account holders' purported equity, I have analyzed the fictitiously reported monthly gains and the purported equity balance in BLMIS Account 1B0022 throughout its account history.

38. A detailed review of the purported trading in BLMIS Account 1B0022 revealed that each and every one of the fictitiously reported trades associated with a PW Transaction generated a "profit" and none of these trades ever generated a loss. (See the PW Report, ¶51 and **Table 4** for a summary of the alleged trading activity in BLMIS Account 1B0022 for the period following November 30, 1995.) Each of these reported "profits" were for the same amount of the reported PW Transactions within BLMIS Account 1B0022. (See **Exhibit 10** for the Reconciliation of the Fictitiously Reported Trades Associated with the PW Transactions for BLMIS Account 1B0022.)

39. If the reported "profits" (in this case, equal to the amount of each of the PW Transactions) had been reinvested, then an account's purported equity would increase over time. In contrast, if those reported "profits" were withdrawn from the account when "earned," then the purported equity in the account would be expected to remain flat and consistent over the life of the account.

40. Within BLMIS Account 1B0022, the account activity demonstrates that the reported "profits" were never reinvested in the account, and rather the amount of each and every "profit earned" was withdrawn from the account. This conclusion is evidenced by the analysis as described above and shown in **Chart 1** below. (See **Exhibits 11** and **11A** for the Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0022.)



41. As illustrated in the **Chart 1** above, BLMIS Account 1B0022 opened in September 1986 with cash deposits totaling \$100,000, and the account had a purported equity balance at the end of September 1986 of \$100,000. (See **Exhibit 12** for September through November 1986 Customer Statements for BLMIS Account 1B0022 at **MF00064856**; see also **Exhibits 11** and **11A**.)

42. During the three month period from September to November 1986, there were purported trades associated with the entity “TRW” that were fictitiously reflected on the Customer Statements, which generated a reported “profit” of \$2,807. On November 24, 1986, the Customer Statement for BLMIS Account 1B0022 showed the line item: “CHECK TRW,” which was coded as a PW Transaction. (See **Exhibit 12**; see also **Exhibits 11** and **11A**.) It is clear from the Customer Statements and the PMRs that: (i) the amount of this purported “profit” was not reinvested in the account as the purported equity balance in BLMIS Account 1B0022 at

the end of November 1986 remained \$100,000; and (ii) the purported “profit” was withdrawn from BLMIS Account 1B0022.

43. This pattern of fictitiously reported trades generating “profit” after “profit” on the Customer Statements continued through November 1992, where each and every time the amount of the purported “profit” was equal to the amount of the corresponding PW Transaction. In each case, the Customer Statements and PMRs consistently demonstrate that the amount of these purported “profits” was not reinvested in the account, and the purported equity balance in BLMIS Account 1B0022 remained at approximately \$100,000 at all relevant times between September 1986 and November 1992, which indicate that the purported “profits” from the alleged trading (which only ever generated purported gains, never losses) were withdrawn from BLMIS Account 1B0022.

44. The only way the account balance could consistently remain at approximately \$100,000 throughout this time period is if the reported “profits” were withdrawn from the account.

45. As **Chart 1** above shows, the consistent pattern continues from December 1992 through April 1997, when the account is closed and the purported equity in the account is to be transferred to BLMIS Account 1B0156.

46. The purported equity balance in BLMIS Account 1B0022 increased from \$100,000 to \$200,000 during December 1992, when a new cash deposit of \$100,000 was made (representing an increase in principal) on December 16, 1992. (See **Exhibit 13** for the December 1992 Customer Statement for BLMIS Account 1B0022.)

47. From this account activity and analysis of the account’s month-end purported equity position, it is my opinion that the PW Transactions (as cumulatively shown by the red line in **Chart 1**) were not actually reinvested in the account, but rather were redeemed in the form of cash withdrawals. As reflected on the Customer Statements, BLMIS Account 1B0022’s month-end purported equity remained consistent each month and only increased when more principal was added into the account in the form of a cash deposit or inter-account transfer (as shown by the blue line in **Chart 1**). However, if the PW Transactions were never withdrawn from BLMIS Account 1B0022 and instead were reinvested in the account, the purported equity over time should have increased at a steady rate based upon the consistent “profits” generated from the

reported trades within the account (as shown by the green line in **Chart 1**). (See **Exhibits 11** and **11A**.)

48. I have also performed the aforementioned analysis for the following BLMIS Accounts, each of which demonstrates the same pattern of activity, resulting in the conclusion that the PW Transactions for these accounts were not reinvested in the respective accounts, but rather were redeemed in the form of cash withdrawals:¹³

- 1B0023 (held under the name of “Arthur Blecker & Sophie Blecker J/T WROS”) (See **Exhibits 14** and **14A** for the Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0023);
- 1B0033 (held under the name of “Dr Morris Blum Living trust DTD 12/29/92”) (See **Exhibits 15** and **15A** for the Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0033);
- 1B0034 (held under the name of “Norman J Blum”) (See **Exhibits 16** and **16A** for the Detailed Analysis of the Purported Month-End Equity Balance vs.

¹³ Upon further analysis of the reported activity in the Participating Accounts, I have updated certain line items. In BLMIS Accounts 1B0022, 1B0033 and 1B0034 I have updated the line items which were illegible on the Customer Statements maintained on microfilm to reflect the activity for the reported transactions related to 1 PW Transaction and 3 non-PW Transactions. As a result of these adjustments, the principal balance within BLMIS Accounts 1B0156, 1B0035, and 1B0190 was also impacted due to inter-account transfers. See **Exhibit 19** (which supersedes **Exhibit 3** to the Supplemental PW Report) for a complete listing of all PW Transactions and the specific update to the PW Transaction related to BLMIS Account 1B0034 on page 77 of 1,200. See **Exhibit 20** (which supersedes **Exhibit 6** to the Supplemental PW Report) for the reconciliation of PW Transactions related to the Participating Accounts and the specific updates to: (i) a PW Transaction related to BLMIS Account 1B0034 on page 36 of 132; and (ii) trading activities associated with PW Transactions from BLMIS Accounts 100324, 1A0016, 1B0033, 1B0036, 1C1092 and 1S0116 on pages 1, 7, 33, 39, 52, and 121 of 132. See **Exhibit 21** for the amended detailed schedules for the Principal Balance Calculation for BLMIS Accounts: (i) 1B0022 (supersedes pages 112-114 in **Exhibit 14** to the Supplemental PW Report); (ii) 1B0033 (supersedes pages 119-122 in **Exhibit 14** to the Supplemental PW Report); (iii) 1B0034 (supersedes pages 123-125 in **Exhibit 14** to the Supplemental PW Report); (iv) 1B0035 (supersedes page 126 in **Exhibit 14** to the Supplemental PW Report); and (v) 1B0190 (supersedes page 135 in **Exhibit 14** to the Supplemental PW Report), respectively. See **Exhibit 22** for the amended detailed schedules for the impact of the PW analysis for BLMIS Accounts: (i) 1B0022 (supersedes pages 80-81 in **Exhibit 15** to the Supplemental PW Report); (ii) 1B0033 (supersedes pages 84-86 in **Exhibit 15** to the Supplemental PW Report); (iii) 1B0034 (supersedes pages 87-88 in **Exhibit 15** to the Supplemental PW Report); (iv) 1B0035 (supersedes page 89 in **Exhibit 15** to the Supplemental PW Report); (v) 1B0156 (supersedes page 94 in **Exhibit 15** to the Supplemental PW Report); and (vi) 1B0190 (supersedes page 97 in **Exhibit 15** to the Supplemental PW Report), respectively.

the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0034);

- 1B0036 (held under the name of “The Estate of Roslyn Blum”) (See **Exhibits 17** and **17A** for the Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0036); and
- 1B0115 (held under the name of “Roslyn Blum Remainder Trust U/A/D 12/29/92”) (See **Exhibits 18** and **18A** for the Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions were Reinvested for BLMIS Account 1B0115.)

VII. CONCLUSION DRAWN FROM THE DETAILED REVIEW OF THE PW TRANSACTIONS FOR PURPOSES OF THE PRINCIPAL BALANCE CALCULATION

49. Based on the detailed review described in **Sections V. and VI.** above, it is my opinion that the review performed on the Participating Accounts related to the PW Transactions demonstrates that all of the PW Transactions properly reflect reductions to the account holders’ principal for purposes of performing the Principal Balance Calculation.

VIII. SIGNATURE AND RIGHT TO MODIFY

50. This report and the exhibits contained herein present my findings and the bases thereof. To the extent that any additional information is produced by any party, I reserve the right to incorporate such additional information into my report or to modify my report as necessary.

51. All the conclusions and opinions I have reached herein are stated to a reasonable degree of certainty within the forensic accounting field.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Matthew B. Greenblatt', is written over a horizontal line.

Matthew B. Greenblatt, CPA/CFF, CFE
Senior Managing Director
FTI Consulting, Inc.

Dated: June 3, 2016

IX. LIST OF EXHIBITS

- Exhibit 1** – Curriculum Vitae and Testimony of Matthew B. Greenblatt
- Exhibit 2** – Documents Considered
- Exhibit 3** – Example of a Check-In Spiral Notebook
- Exhibit 4** – Example of a Check-Out Spiral Notebook
- Exhibit 5** – Examples of PW Transactions as Recorded in the Spiral Notebook Pertaining to Calendar Year 1991
- Exhibit 6** – List of PW Transactions that are Recorded in the Spiral Notebooks and Corroborates the Information on the Customer Statements
- Exhibit 7** – Example of PW Transactions referred to as “Profit Cks” in the Spiral Notebooks
- Exhibit 8** – Excerpt of the House 17 Manual Detailing Instructions on How to Process Checks
- Exhibit 9** – Examples of CW and PW Debit Memos and Corresponding Check Images
- Exhibit 10** – Reconciliation of the Fictitiously Reported Trades Associated with the PW Transactions for BLMIS Account 1B0022
- Exhibit 11** – Purported Month-End Equity Balance vs. Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0022
- Exhibit 11A** – Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0022
- Exhibit 12** – September through November 1986 Customer Statements for BLMIS Account 1B0022
- Exhibit 13** – December 1992 Customer Statement for BLMIS Account 1B0022
- Exhibit 14** – Purported Month-End Equity Balance vs. Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0023
- Exhibit 14A** – Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0023

- Exhibit 15** – Purported Month-End Equity Balance vs. Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0033
- Exhibit 15A** – Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0033
- Exhibit 16** – Purported Month-End Equity Balance vs. Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0034
- Exhibit 16A** – Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0034
- Exhibit 17** – Purported Month-End Equity Balance vs. Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0036
- Exhibit 17A** – Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0036
- Exhibit 18** – Purported Month-End Equity Balance vs. Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0115
- Exhibit 18A** – Detailed Analysis of the Purported Month-End Equity Balance vs. the Purported Month-End Equity Balance if PW Transactions Were Reinvested for BLMIS Account 1B0115
- Exhibit 19** – Listing of all PW Transactions
- Exhibit 20** – Reconciliation of PW Transaction Related to the Participating Accounts
- Exhibit 21** – Amended Detailed Schedules for the Principal Balance Calculation for the BLMIS Accounts 1B0022, 1B0033, 1B0034, 1B0035 and 1B0190, respectively
- Exhibit 22** – Amended Detailed Schedules for the Impact of the PW Analysis for the BLMIS Accounts 1B0022, 1B0033, 1B0034, 1B0035, 1B0156 and 1B0190, respectively